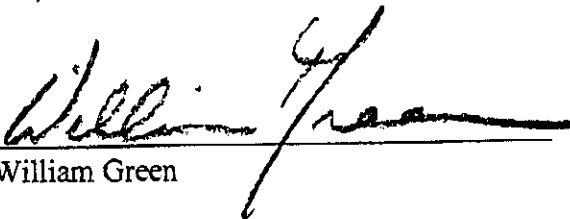


1                                   **Declaration of William Green**

2  
3   I declare under penalty of perjury that I have reviewed the foregoing testimony and that those  
4   sections as to which I testified are true and correct.

5  
6   Executed this 6 day of October, 2003.

7  
8                                     
9                                   \_\_\_\_\_  
10                                  William Green

**VERIZON VIRGINIA INC.**

**REBUTTAL TESTIMONY OF THOMAS MAGUIRE**

**HOT CUTS (ISSUE C12)**

**CC DOCKET NO. 02-359**

**OCTOBER 9, 2003**

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Tom Maguire. I am a Senior Vice President in Verizon's Wholesale Markets  
3 Group with primary responsibility for CLEC Ordering, Provisioning and Maintenance.  
4 My business address is 1095 Avenue of the Americas, New York, New York. I am the  
5 same Tom Maguire who previously submitted testimony in this proceeding.

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. I will respond to the Direct Testimony of Cavalier witness Amy Webb on Issue C12,  
8 regarding hot cuts and the Joint Implementation Team.

9 **Q. ON PAGE 3 OF HER DIRECT TESTIMONY, MS. WEBB STATES THAT THE**  
10 **"INFORMAL PROCESSES" USED BY VERIZON AND CAVALIER TO**  
11 **RESOLVE PROBLEMS "ARE NOT STRUCTURED ENOUGH TO PROVIDE**  
12 **DEFINITE, QUICK, AND EFFECTIVE RESOLUTION OF PROBLEMS"**  
13 **ASSOCIATED WITH HOT CUTS. DO YOU AGREE?**

14 A. No. First of all, I do not know what hot cut problems Ms. Webb is talking about. She  
15 certainly does not describe any, and, as I explained in my direct testimony at pages 5-6,  
16 there is no hot cut "problem" in Virginia.

17 Second, even if there were a problem, Ms. Webb does not explain why existing  
18 mechanisms for handling hot cut problems are insufficient. One of those mechanisms is  
19 the 1-877-HOTCUTS number that Verizon has established so that Cavalier or any CLEC  
20 can call to reach Verizon's maintenance group and discuss provisioning problems in real  
21 time.

1   **Q.    IS CAVALIER AWARE OF THE 1-877-HOTCUTS NUMBER?**

2   A.    Yes. One of my directors, Susan Carducci, recently spoke with Ms. Webb and Mr. Sims  
3       to discuss process issues related to new loops. It was during this conversation that Ms.  
4       Carducci offered to expand this line for Cavalier to include not only hot cut issues, but  
5       for those involving new loops as well. Ms. Carducci informs me that Mr. Sims agreed to  
6       use the 1-877-HOTCUTS number.

7       Before proposing rigid new processes that add another layer of bureaucracy to an already  
8       complex issue, Cavalier should, at a minimum, attempt to utilize the various informal and  
9       effective processes that Verizon currently has in place. These include the CLEC User's  
10      Forum, hosted by the Verizon Account Team, and the Change Management Process, both  
11      of which deal with industry-wide service issues. If Cavalier has a specific concern that is  
12      unique to its operation, it can arrange for a business-to-business meeting with my  
13      management team, exactly like the one that Mr. Sims and Ms. Webb had with Ms.  
14      Carducci.

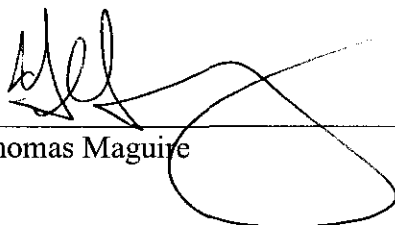
15   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

16   A.    Yes.

**Declaration of Thomas Maguire**

I declare under penalty of perjury that I have reviewed the foregoing testimony and that those sections as to which I testified are true and correct.

Executed this 6 day of October, 2003.



Thomas Maguire

**VERIZON VIRGINIA INC.**

**REBUTTAL TESTIMONY OF GREGORY ROMANO**

**EXCEPTION TO LIMITATION OF LIABILITY ISSUE (ISSUE C25)**

**CC DOCKET NO. 02-359**

**OCTOBER 9, 2003**

1   **Q.     PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2   A.     My name is Gregory Romano. I am Assistant General Counsel – Interconnection for  
3           Verizon. My business address is 1515 North Court House Road, Suite 500, Arlington,  
4           Virginia 22201. I have previously submitted testimony in this proceeding.

5   **Q.     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

6   A.     I respond to the Direct Testimony of Cavalier witness David Whitt on C25, in which  
7           Cavalier proposes an exception to Verizon's limitation of liability language for any claim  
8           alleging a violation of state or federal law or regulation concerning telecommunications  
9           or commerce. That exception is so broad that it would virtually eliminate the limitation  
10          of liability provision to which the parties have agreed. Almost any claim that Cavalier  
11          might bring against Verizon could be stated as an alleged violation of state or federal law  
12          or regulation concerning telecommunications or commerce.

13  **Q.     WHY DOES MR. WHITT CLAIM THAT CAVALIER'S EXCEPTION TO THE**  
14  **AGREEMENT'S LIMITATION ON LIABILITY IS NECESSARY?**

15  A.     At page 14 of his Direct Testimony, Mr. Whitt claims that Cavalier's exception to the  
16          *limitation on liability will give Verizon a necessary incentive to meet its obligations*  
17          under the interconnection agreement.

18  **Q.     DO YOU AGREE?**

19  A.     No. As I explained in my direct testimony, Section 26.1 of Verizon's Proposed  
20          Agreement specifically incorporates Verizon's obligations under the Virginia  
21          Performance Assurance Plan, a comprehensive set of performance measures and self-  
22          executing penalties if Verizon's performance falls below standards set by the Virginia  
23          SCC. Mr. Agro can provide more detail on the Virginia Performance Assurance Plan.

1 **Q. IS VERIZON WILLING TO ADD ANY EXCLUSIONS TO THE LIMITATION**  
2 **OF LIABILITY PROVISIONS TO THE INTERCONNECTION AGREEMENT?**

3 A. Yes. In response to concerns articulated by Cavalier, Verizon has proposed to add three  
4 further exclusions to the limitation of liability provisions set forth in section 25.5 to  
5 clarify that liability for certain claims is not limited by the interconnection agreement.  
6 Specifically, Verizon is willing to exclude the following claims from the limitation of  
7 liability provisions: defamation, misleading or inaccurate advertising, and violation of  
8 antitrust laws.

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

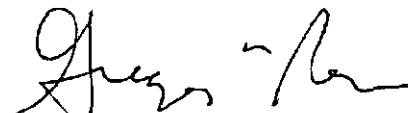
10 A. Yes.



1                                   **Declaration of Gregory Romano**  
2

3   I declare under penalty of perjury that I have reviewed the foregoing testimony and that those  
4   sections as to which I testified are true and correct.

5  
6   Executed this 8<sup>th</sup> day of October, 2003.

7                                     
8  
9  
10                                  \_\_\_\_\_  
11                                  Gregory Romano

**VERIZON VIRGINIA INC.**

**REBUTTAL TESTIMONY OF JONATHAN SMITH**

**INTERCONNECTION BILLING AND PAYMENT ISSUES**

**CC DOCKET NO. 02-359**

**OCTOBER 9, 2003**

## **TABLE OF CONTENTS**

	Page
I. WITNESS BACKGROUND AND OVERVIEW .....	1
II. MEET-POINT BILLING INFORMATION (ISSUE C3).....	1
III. RESPONSIBILITY FOR TERMINATING CHARGES (ISSUE C4).....	8
IV. AFFIRMATIVE OBLIGATIONS TO ASSIST WITH NEGOTIATIONS (ISSUE C5).....	8
V. CUSTOMER CONTACTS (ISSUE C17).....	9
VI. ASSURANCE OF PAYMENT (ISSUE C21) .....	11
VII. EMBARGOES IN THE EVENT OF BREACH (ISSUE C24).....	15

**I. WITNESS BACKGROUND AND OVERVIEW**

**Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

A. My name is Jonathan B. Smith. I am employed by Verizon as Executive Director of Local Interconnection Billing and Wholesale Billing Support. My business address is 1095 Avenue of the Americas, New York, New York 10036. I have previously submitted testimony in this proceeding.

**Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

A. I address the direct testimony of Cavalier witnesses Marty Clift, Walter Cole, David Whitt, John Haraburda, and Mark Zitz on issues C3, C4, C5, C17, C21, and C24.

**II. MEET-POINT BILLING INFORMATION (ISSUE C3)**

**Q. WHAT IS THE NATURE OF YOUR REBUTTAL TESTIMONY ON MEET-POINT BILLING INFORMATION?**

A. I will respond to the Direct Testimony of Cavalier witnesses Walter Cole, David Whitt, and John Haraburda on issue C3. Specifically, I respond to Cavalier's erroneous claims that, when Verizon provides transit services and Cavalier is the terminating carrier, Verizon misroutes calls to Cavalier or fails to provide Cavalier with the information needed to bill for its services. Verizon's routing and provision of billing information comply with standard industry practice.

Cavalier proposes to penalize Verizon for following these industry practices. Verizon, however, is not required to provide transit service under the Act, and if Cavalier's penalties were adopted, Verizon would simply stop providing transit service.

1 **Q. AT PAGES 5 - 6 OF HIS DIRECT TESTIMONY, WALTER COLE TESTIFIES**  
2 **THAT VERIZON "MISROUTED" 91,374 MINUTES OF TRAFFIC IN**  
3 **RICHMOND ON JULY 8, 2003. IS THIS ACCURATE?**

4 A. No. Mr. Cole's testimony does not prove that Verizon misrouted any traffic. Mr. Cole  
5 claims that in some instances, local and interexchange calls were sent to Cavalier on the  
6 same trunks. Mr. Cole is most likely referring to wireless roaming calls, routed over local  
7 trunks, that appear to be access calls. For example, if a New York-based AT&T wireless  
8 customer with an "917" area code were to travel to Richmond, Virginia for the day, and  
9 place a call to a Cavalier customer with an "804" area code, that call would be properly  
10 routed over a Verizon local trunk, since the call originated and terminated in Richmond.  
11 When Cavalier receives the billing record for this call, the call may appear to be an  
12 interexchange call at first glance because of the originating and terminating telephone  
13 numbers, but plainly, this Richmond to Richmond call was local.

14 **Q. DOES THIS MIXING OF TRAFFIC PROHIBIT CAVALIER FROM BILLING**  
15 **FOR THE TERMINATING SERVICES THAT IT PROVIDES?**

16 A. No. Cavalier can still bill the originating carrier for Cavalier's terminating services using  
17 the methods I described in my Direct Testimony at pages 4-5.

18 **Q. HOW DO YOU ADDRESS MR. COLE'S CONTENTION AT PAGE 6 OF HIS**  
19 **DIRECT TESTIMONY THAT THE ALLEGED MISROUTING WILL CAUSE**  
20 **CAVALIER'S TRUNK GROUPS TO BE SIZED INCORRECTLY?**

21 A. I disagree. Mr. Cole's contention rests on the flawed assumption that the local traffic  
22 discussed above is in fact routed improperly, and will be routed differently in the future,  
23 causing Cavalier's trunks to be sized incorrectly. This traffic, however, is not being

1 misrouted. Therefore, Cavalier's concerns about incorrect sizing of trunk groups are  
2 misplaced.

3 **Q. ON PAGE 7 OF HIS DIRECT TESTIMONY, MR. COLE STATES THAT**  
4 **CAVALIER WANTS CALL RECORD INFORMATION TO "CONTAIN ANY**  
5 **ADEQUATE COMBINATION" OF CIC, LRN, OCN, AND JIP INFORMATION.**  
6 **IS THIS PROPOSAL REFLECTED IN CAVALIER'S CONTRACT LANGUAGE?**

7 A. No. Cavalier's proposed contract language for Section 5.6.6 states:

8 To facilitate accurate billing to the originating carrier, each Party  
9 shall pass sufficient information to allow proper billing, in the  
10 form of Calling Party Number ("CPN"), CIC, LRN, OCN, *and/or*  
11 JIP information on each call, including Transit Traffic, carried over  
12 the Interconnection Trunks.

13 (Emphasis added). This language would hold Verizon responsible for passing CIC, LRN,  
14 OCN, and JIP information on each call record. If Cavalier wanted Verizon to pass "any  
15 adequate combination" of these codes, Cavalier would not have proposed the word "and"  
16 in its contract language.

17 To the extent Mr. Cole's testimony is an attempt to modify Cavalier's proposal to insert  
18 the phrase "any adequate combination," that phrase is quite vague. I certainly do not  
19 know what it means. Engrafting this vague language on Cavalier's flawed contract  
20 language will only produce confusion.

1 **Q. ON PAGE 7 OF MR. COLE'S DIRECT TESTIMONY, HE STATES**  
2 **CAVALIER'S PREFERENCE "FOR A CIC CODE TO BE PLACED ON EVERY**  
3 **RECORD," AND AT PAGE 3 OF MR. HARABURDA'S DIRECT TESTIMONY,**  
4 **HE COMPLAINS THAT CAVALIER OFTEN DOES NOT RECEIVE A CIC IN**  
5 **THE BILLING RECORDS SENT BY VERIZON. CAN YOU COMMENT ON**  
6 **THIS TESTIMONY?**

7 A. Yes. Verizon would also prefer that a Carrier Identification Code ("CIC") be placed on  
8 every billing record, but this is out of Verizon's hands. First, CICs are generally assigned  
9 only to interexchange carriers. Local telephone companies who are not also  
10 interexchange carriers will not have a CIC, and if not, they obviously could not pass it.  
11 This is no fault of Verizon's and a matter over which Verizon has no control. Second, the  
12 Ordering and Billing Forum ("OBF"), the industry group that establishes billing  
13 guidelines, acknowledges that a CIC cannot be passed on every call. As a result, there are  
14 several industry guidelines that address what should be passed when CIC information is  
15 not available. Issues 1921 and 2139 at the OBF both address the passage of proper  
16 information when a CIC is not available. Verizon follows the guidelines established by  
17 the OBF.

18 **Q. ON PAGE 2 OF HIS DIRECT TESTIMONY, MR. HARABURDA STATES THAT**  
19 **"CALL DETAIL INFORMATION ... IS MISSING ON 17% OF ALL MINUTES**  
20 **THAT TERMINATE ON CAVALIER'S NETWORK." CAN YOU COMMENT**  
21 **ON THIS?**

22 A. Yes. Cavalier does not need this information to render a bill. Indeed, Mr. Haraburda  
23 does not suggest the contrary. As I explained in my direct testimony at pages 6-7,  
24 Cavalier as well as other carriers can bill for their services without the call detail  
25 information to which Mr. Haraburda refers. In addition, later in his testimony, Mr.  
26 Haraburda lists three categories of missing information. Yet, in each instance there is a

1 simple explanation for why the specific type of information would not be included in  
2 Verizon's bill. In each case, Cavalier can still render a bill to its customers.

3 **Q. ON PAGE 2 OF HIS DIRECT TESTIMONY, MR. HARABURDA STATES THAT,**  
4 **WHERE INFORMATION IS MISSING, "BILLS ARE BASED UPON A SET OF**  
5 **ASSUMED FACTS, NOT HARD DATA." CAN YOU COMMENT ON THIS?**

6 A. Yes. Cavalier is referring to a billing procedure called "factoring." Because carriers  
7 recognize that not every billing record will contain the call detail information that each  
8 carrier might want, carriers enter into agreements to bill each other based on a set of  
9 "factors" that allow each carrier to be appropriately compensated for the use of its  
10 network. Carriers bill based on factors when billing records lack sufficient hard data  
11 required to render a bill. Two such factors are defined in the parties' Interconnection  
12 Agreement. Section 1.88 defines "Traffic Factor 1," the billing factor used for interstate  
13 traffic, and Section 1.89 defines "Traffic Factor 2," the billing factor used for local traffic.  
14 Factoring has long been used in the industry, is consistent with current industry  
15 guidelines, and continues to be widely used.

16 **Q. ON PAGE 3 OF HIS DIRECT TESTIMONY, MR. HARABURDA RAISES**  
17 **THREE CATEGORIES OF INFORMATION THAT HE COMPLAINS ARE**  
18 **MISSING OR INCORRECTLY STATED ON THE CARRIER ACCESS BILLING**  
19 **RECORDS FOR AUGUST 1, 2003. CAN YOU COMMENT ON THESE?**

20 A. The majority of billing data that Cavalier analyzes comes from Cavalier's own switch;  
21 therefore, many of the deficiencies that Cavalier describes could be caused by Cavalier's  
22 own system problems. Mr. Haraburda also ignores the fact that Verizon, as transit  
23 provider, can only pass along to Cavalier, as terminating carrier, billing information it  
24 receives in the first place from the originating carrier (such as the originating telephone



1 number). As noted in my Direct Testimony at page 5, the originating carrier often fails to  
2 pass this information to Verizon.

3 **Q. ON PAGE 3 OF HIS DIRECT TESTIMONY, MR. HARABURDA EXPLAINS**  
4 **THE THREE CATEGORIES OF INFORMATION THAT HE CLAIMS ARE**  
5 **MISSING OR INCORRECTLY STATED. SPECIFICALLY, HE INDICATES**  
6 **THAT 42.5 MILLION MINUTES FROM AUGUST 1, 2003 WERE “RECORDED**  
7 **WITHOUT A CALLING TELEPHONE NUMBER.” HOW CAN THIS HAPPEN?**

8 A. This happens when the originating carrier does not send the calling telephone number.  
9 This can occur, for example, when the originating carrier uses multi-frequency signaling  
10 instead of SS7 signaling. Multi-frequency signaling does not deliver the calling number.  
11 Furthermore, many carriers choose not to send a calling number, even if the technology to  
12 do so is available. Verizon’s practice in this regard – to pass the information that it does  
13 receive from the originating carrier – is consistent with industry guidelines and does not  
14 prevent Cavalier from rendering a bill. In any case, Verizon can pass along to Cavalier  
15 only that information Verizon has received from the originating carrier.

16 **Q. IN ADDITION, MR. HARABURDA DESCRIBES DATA FOR 6.1 MILLION**  
17 **MINUTES WHERE “THE CALLING NUMBER APPEARS THE SAME AS THE**  
18 **CALLED NUMBER.” CAN YOU EXPLAIN HOW THIS WOULD HAPPEN?**

19 A. Yes. In the past, when Verizon received a billing record with an unpopulated “From  
20 Number” field, Verizon’s billing systems would populate that field with zeroes. When it  
21 came to Verizon’s attention that many independent telephone companies’ billing systems  
22 could not process billing records that included zeroes in the “From Number” field,  
23 Verizon agreed to populate the “From Number” field with the number from the “To  
24 Number” field instead of populating it with zeroes, thereby allowing the independents to  
25 process their bills. This practice remains common among incumbents today, and it does

1 not prevent Cavalier from rendering an accurate bill. As I explained in my Direct  
2 Testimony at 5, Cavalier can use the “factor” approach used by other carriers, including  
3 Verizon.

4 **Q. ON PAGE 9 OF HIS DIRECT TESTIMONY, DAVID WHITT STATES THAT**  
5 **“VERIZON SHOULD EITHER BE ACCOUNTABLE FOR THE RESULTING**  
6 **MINUTES OR CEASE ROUTING THE TRAFFIC TO CAVALIER.” CAN YOU**  
7 **COMMENT ON THIS?**

8 A. Yes. Verizon cannot selectively block transit traffic based on the information that is  
9 passed to Verizon by an originating carrier. Verizon can, however, cease routing transit  
10 traffic to Cavalier entirely, and, if that is what Cavalier is asking for here, Verizon can  
11 take the necessary steps to do so.

12 Cavalier can also take affirmative steps to decrease the amount of transit traffic that it  
13 receives from Verizon by ceasing to interconnect at Verizon’s tandem and  
14 interconnecting directly with other carriers. While Verizon appreciates the logistical  
15 difficulties of interconnecting with *every* carrier that routes traffic to Cavalier, Cavalier  
16 can deal with many of its billing issues by interconnecting with just two or three of the  
17 largest third party carriers, such as AT&T, MCI, and Cox.

18 **Q. ON PAGE 11 OF HIS DIRECT TESTIMONY, MR. WHITT STATES THAT THE**  
19 **“PARTIES TODAY CAN RESOLVE THE ISSUE AMONG THEMSELVES.” IS**  
20 **THIS POSSIBLE?**

21 A. No. As noted in my direct testimony, concerns about billing information are an industry  
22 issue. If Mr. Whitt attended meetings of the OBF, he would realize that, because all  
23 carriers would benefit from improved inter-carrier billing, OBF representatives of all  
24 participating carriers are actively considering this issue. It is not possible to fix a problem

1 that affects the entire industry by penalizing Verizon alone, in particular when Verizon  
2 already follows standard industry practices.

3 **III. RESPONSIBILITY FOR TERMINATING CHARGES (ISSUE C4)**

4 **Q. COULD YOU RESPOND TO MR. CLIFT'S CLAIM THAT THE PARTIES'**  
5 **TRANSIT OBLIGATIONS SHOULD BE RECIPROCAL?**

6 A. Yes. At page 2 of his direct testimony, Mr. Clift says he wants the terms that apply to  
7 Verizon's transit service also to apply when Cavalier provides transit service. As I said at  
8 page 13 of my direct testimony, I agree in principle, and Verizon has offered a simple  
9 way to implement that principle.

10 **IV. AFFIRMATIVE OBLIGATIONS TO ASSIST WITH NEGOTIATIONS (ISSUE**  
11 **C5)**

12 **Q. AT PAGES 2-5 OF MR. CLIFT'S DIRECT TESTIMONY, HE ASKS THAT**  
13 **VERIZON PROVIDE SUPPORT, AT NO CHARGE, WHEN CAVALIER**  
14 **NEGOTIATES INTERCONNECTION AGREEMENTS WITH THIRD PARTIES.**  
15 **WHAT KIND OF SUPPORT DOES MR. CLIFT WANT?**

16 A. Mr. Clift does not explain all the ways he wants Verizon to participate. He uses  
17 Cavalier's interconnection negotiations with Cox Communications as an example of the  
18 negotiation support he wants. He claims that Verizon had information about Verizon's  
19 payments to Cox that would have helped negotiations.

20 **Q. DO YOU AGREE WITH MR. CLIFT?**

21 A. No. First, Mr. Clift concedes that, even without Verizon's assistance, Cavalier was able  
22 to negotiate an agreement with Cox, and he acknowledges, at page 4 of his testimony,  
23 that Cavalier has successfully negotiated several other interconnection agreements as

1 well. He says that the Cox/Cavalier agreement took several years, but that could have  
2 been the result of many things, including the parties' bargaining goals and tactics.

3 Second, the information that Mr. Clift was seeking – information about payments  
4 between Verizon and Cox – obviously could not have been essential because Cox had the  
5 same information. Mr. Clift fails to explain why Cox could not have provided it.

6 **Q. WHAT IS WRONG WITH CAVALIER'S PROPOSAL?**

7 A. First, it is unnecessary and extremely burdensome to require Verizon to assist Cavalier in  
8 its negotiations with third parties. Verizon already provides an enormous amount of  
9 information to Cavalier through its signaling stream and billing tapes, and nothing  
10 prevents Cavalier from investing in resources to analyze this data itself. Moreover, the  
11 burden that Cavalier seeks to impose on Verizon cannot be limited just to the  
12 Cavalier/Verizon relationship. If Cavalier's language is included in this agreement, and  
13 other carriers elect to adopt it, the aggregate costs to Verizon would be substantial.  
14 Finally, much of the information Cavalier seeks to obtain is likely to be proprietary and/or  
15 competitively sensitive, so that Verizon would not be able to supply it to Cavalier in any  
16 event.

1 **V. CUSTOMER CONTACTS (ISSUE C17)**

2 **Q. ON PAGES 1-2 OF HIS DIRECT TESTIMONY, MR. ZITZ ALLEGES THAT**  
3 **VERIZON'S RETAIL ORGANIZATION "CAN FIND OUT THAT CAVALIER IS**  
4 **COURTING A PROSPECTIVE CUSTOMER, AND IS ABLE TO CALL ON**  
5 **THAT CUSTOMER PRIOR TO ANY SALES EFFORTS BY CAVALIER." IS**  
6 **THIS TRUE?**

7 A. No. First, Mr. Zitz provides no facts to substantiate his claim. Second, Verizon's retail  
8 arm is separate from its wholesale arm. Verizon's retail personnel must follow strict  
9 guidelines that control the access to and use of information about the activities of  
10 Cavalier or any other CLEC.

11 **Q. COULD YOU COMMENT ON THE FIVE EXAMPLES MR. ZITZ CLAIMS**  
12 **SUPPORT CAVALIER'S PROPOSED SECTIONS 18.2.3 THROUGH 18.2.8,**  
13 **WHICH DEAL WITH SUPPOSEDLY INAPPROPRIATE VERIZON CONTACTS**  
14 **WITH CAVALIER CUSTOMERS?**

15 A. Yes. Only the first two of Mr. Zitz's five examples have anything to do with alleged  
16 inappropriate contacts between Verizon personnel and Cavalier customers and, other than  
17 hearsay, Mr. Zitz offers no evidence that Verizon representatives acted inappropriately  
18 even in those two cases. The third example involves a discount that Verizon allegedly  
19 offered to a Verizon directory advertising customer who purchased paid advertising and  
20 was also a Cavalier telephone customer. First of all, in this case no such discount was  
21 provided. In any case, however, it is entirely appropriate for Verizon Information  
22 Services to contact its yellow pages customers. Moreover, as I noted in my Direct  
23 Testimony, Yellow Pages advertising is a competitive, unregulated service, and therefore  
24 Cavalier cannot use this interconnection agreement to regulate the conduct of yellow page  
25 representatives or control the discounts they can offer to their customers.

1 Mr. Zitz's fourth example, involving an AT&T customer's bill that was erroneously sent  
2 to Cavalier, and the fifth example, in which Cavalier supposedly used Verizon systems to  
3 obtain another carrier's customer list, do not support including Cavalier's proposed  
4 language. These examples would not be covered by Cavalier's proposed language, and  
5 are thus irrelevant to the question of whether this language should be included.

6 **Q. DO MR. ZITZ'S FIRST TWO EXAMPLES JUSTIFY THE CONTRACT**  
7 **PROVISION THAT CAVALIER IS PROPOSING?**

8 A. No. Mr. Zitz provides only vague details about these two alleged incidents. Because  
9 Cavalier has provided virtually no information that would help Verizon investigate these  
10 alleged incidents (such as the date or timeframe of the alleged improper contacts),  
11 Verizon has not been able to determine exactly what occurred in these cases. Cavalier  
12 offers no proof that these incidents in fact occurred, but relies entirely on unsupported  
13 statements from a third party. Nonetheless, it is worth noting that Cavalier can point to  
14 only two examples of supposedly inappropriate customer contacts between Verizon  
15 personnel and Cavalier customers. That sort of limited record (even if established) hardly  
16 justifies the elaborate system of investigations, penalties, and bonus penalties that  
17 Cavalier proposes in Section 18.2.

18 **VI. ASSURANCE OF PAYMENT (ISSUE C21)**

19 **Q. DO YOU AGREE WITH MR. WHITT'S ASSERTION AT PAGES 11-13 OF HIS**  
20 **DIRECT TESTIMONY THAT THE AGREEMENT SHOULD NOT CONTAIN**  
21 **ANY ASSURANCE OF PAYMENT PROVISIONS?**

22 A. No. Verizon has proposed language to Cavalier that is very similar to the language  
23 previously adopted by the Bureau in the *Virginia Arbitration Order* at ¶ 972. This

1 language permits Verizon to obtain adequate assurance of payment in the event that a  
2 CLEC is (or becomes) uncreditworthy. The limited protection afforded to Verizon by  
3 this language is comparable to that provided by the security deposits that Verizon may  
4 require of its own end users under its retail tariffs, and the insurance Verizon requires  
5 from its vendors. Verizon's language is essential in light of the recent wave of CLEC  
6 bankruptcies. Verizon should not be exposed to the risk of providing service without  
7 payment.

8 Mr. Whitt's principal argument is that Verizon's assurance of payment proposal would  
9 require Cavalier to make a two-month advance payment. That is simply wrong.

10 The first four sentences of Verizon's Proposed Section 20.6 provide for a standby letter of  
11 credit if Cavalier is not creditworthy (for example, if Cavalier fails to pay a bill that is not  
12 subject to a bona fide dispute). In these circumstances, Verizon may require that Cavalier  
13 provide a standby letter of credit in an amount equal to two months' estimated charges for  
14 services provided by Verizon to Cavalier. Verizon could draw on the letter of credit only  
15 after it notified Cavalier that Cavalier was thirty (30) days delinquent in paying its bills.

16 These four sentences do not create a two-month advance payment obligation. On the  
17 contrary, Verizon can only draw on this credit well after Cavalier has refused (or is  
18 unable) to pay its bills.

19 The last two sentences of Verizon's Proposed Section 20.6 do indeed involve an advance  
20 payment – but not for two months, and only in exceptional circumstances. These  
21 sentences only require a one month advance payment, and only if several conditions are  
22 met: (1) Cavalier had missed two payments within 60 days, or 3 payments within 180

1 days; and (2) these missed payments were not subject to bona fide disputes; and (3) these  
2 missed payments are more than 5% of the total payments owed by Cavalier to Verizon  
3 during the relevant period. Put simply, if Cavalier does not or cannot pay its bills,  
4 Verizon's proposed Section 20.6 would require Cavalier to make its payment at the  
5 beginning of a given month rather than the end of that month.

6 **Q. IS THERE ANY MERIT TO MR. WHITT'S CLAIM ON PAGE 13 OF HIS**  
7 **DIRECT TESTIMONY THAT VERIZON COULD DEMAND A \$7.5 MILLION**  
8 **DEPOSIT AND BANKRUPT CAVALIER?**

9 A. No. As I just explained, the only advance payment Verizon could demand would be for a  
10 single month, which Mr. Whitt admits amounts to roughly \$2.5 million. This amount is  
11 not only much less than Mr. Whitt claims on page 13 of his direct testimony, but this very  
12 amount would also be due to Verizon thirty days later even without the assumption of  
13 payment language.

14 Mr. Whitt's argument in fact proves why Verizon needs these assurance of payment  
15 provisions. If Cavalier can be driven into bankruptcy by being forced to make certain  
16 payments at the beginning of the month, rather than the end, then its financial problems  
17 are indeed severe. This proves that Verizon needs protection against the risk of Cavalier  
18 bankruptcy.

19 More generally, Verizon's proposed Section 20.6 will not apply if Cavalier pays its  
20 undisputed bills on time.



1 **Q. MR. WHITT ARGUES AT PAGE 11 OF HIS DIRECT TESTIMONY THAT**  
2 **CAVALIER'S PREVIOUS INTERCONNECTION AGREEMENT WITH**  
3 **VERIZON DID NOT CONTAIN ASSURANCE OF PAYMENT PROVISIONS.**  
4 **WHY SHOULD THE AGREEMENT CONTAIN SUCH PROVISIONS NOW?**

5 A. The industry has become much more volatile since the current agreement was signed in  
6 1997. Many carriers have gone bankrupt, including large carriers. As the Bureau  
7 explained in the *Virginia Arbitration Order* at ¶ 727, "Verizon has a legitimate business  
8 interest in receiving assurances of payment ... from its [CLEC] customers."

9 **Q. MR. WHITT SUGGESTS ON PAGE 12 OF HIS DIRECT TESTIMONY THAT**  
10 **VERIZON'S PROPOSAL "INCREASES THE FINANCIAL RISK TO**  
11 **CAVALIER." IS THIS CHARACTERIZATION FAIR?**

12 A. No. Instead, Cavalier is trying to shift a considerable portion of the financial risks  
13 associated with its business model to Verizon, by forcing Verizon to assume the risk of  
14 non-payment in the event that Cavalier becomes uncreditworthy.

15 There is no reason why Verizon should have to assume this risk, and, contrary to Mr.  
16 Whitt's suggestion, Verizon's proposed Section 20.6 places this risk precisely where it  
17 belongs – with Cavalier and its investors.

18 **Q. MR. WHITT CLAIMS ON PAGE 11 OF HIS DIRECT TESTIMONY THAT THE**  
19 **ASSURANCE OF PAYMENT OBLIGATIONS ARE TRIGGERED WHENEVER**  
20 **VERIZON DECIDES THAT DISPUTES ARE NOT "BONA FIDE." IS THIS**  
21 **CORRECT?**

22 A. No. Contrary to Mr. Whitt's suggestion, the "bona fide" dispute language works to  
23 protect Cavalier in cases of bona fide disputes. All of the triggering language of  
24 Verizon's proposed Section 20.6 provides exceptions in the cases of bona fide disputes.  
25 For example, although the letter-of-credit provisions are triggered when Cavalier fails to